



**QUARTERLY UPDATE  
TO THE LEGISLATURE**

**MEDI-CAL MANAGED CARE PROGRAM**

**January through March 2011**

**Department of Health Care Services  
Medi-Cal Managed Care Division**

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Attachment 1: Update of Expansion Implementation Dates and Managed Care Models

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## **I. Purpose of the Update**

The Budget Act of 2005 authorized the Department of Health Care Services (DHCS) to expand the Medi-Cal Managed Care Program into 13 new counties: El Dorado, Imperial, Kings, Lake, Madera, Marin, Merced, Mendocino, Placer, San Benito, San Luis Obispo, Sonoma, and Ventura.

Beginning January 1, 2006, DHCS was required to provide quarterly updates to the policy and fiscal committees of the Legislature on DHCS's core activities to improve the Medi-Cal Managed Care Program and to expand into the 13 new counties.

The updates shall include:

- Progress or key milestones and objectives to implement changes to the existing program;
- Submittal of State Plan Amendments (SPAs) to the Centers for Medicare and Medicaid Services (CMS);
- Submittal of any federal waiver documents; and
- Applicable key functions related to the effort to expand the Medi-Cal Managed Care Program.

In response to legislative inquiries on the rate setting methodology, DHCS has added this information into the quarterly update report.

## **II. Key Milestones and Objectives**

### *Collaboration with California HealthCare Foundation*

DHCS collaborated with the California Health Care Foundation (CHCF) to develop enhanced performance standards for services provided to persons with disabilities and chronic illnesses through Medi-Cal managed care health plans. DHCS received CHCF recommendations in a report titled "Performance Standards for Medi-Cal Managed Care Organizations Serving People with Disabilities and Chronic Conditions" on November 21, 2005. DHCS requested comments and input from its contracting health plans regarding these recommendations. DHCS completed an analysis of the 53 recommendations it received to determine the applicability of the recommendations to the target population, and to assess the feasibility of each recommendation. The CHCF report and DHCS responses are available on the DHCS website at: [http://www.dhcs.ca.gov/dataandstats/reports/Pages/CHCFRpt\\_DHCSRspns.aspx](http://www.dhcs.ca.gov/dataandstats/reports/Pages/CHCFRpt_DHCSRspns.aspx)

DHCS is taking a proactive approach toward the development of a care coordination program, and its staff continues to work toward developing care coordination resources.

DHCS is collaborating with California for Health Care Strategies (CHCS) on the following topics highlighted in the CHCF recommendations.

#### Health Information Form

DHCS collaborated with CHCS to develop a screening tool for new members enrolled in Medi-Cal managed care health plans. This tool, the Health Information Form (HIF), was designed to assist in the identification of members in need of immediate medical evaluations by a Primary Care Provider (PCP) and to assist in referrals to medical care coordination. The HIF also helps identify members who have access or accommodation issues that affect their ability to seek and obtain health care. The HIF is included in the choice form packet for all new enrollees of Medi-Cal managed care health plans, including the soon to be newly enrolled SPDs.

#### Staying Healthy Assessment Tool

The Medi-Cal Managed Care Division (MMCD) and health plan representatives first developed the Staying Healthy Assessment (SHA) in 1999. The current SHA consists of four pediatric risk assessments and one adult behavioral risk assessment questionnaire that health plan enrollees complete during the Initial Health Assessment office visit. Each age-specific questionnaire identifies modifiable behavioral risks (e.g., diet, exercise, safety) that medical providers can address with appropriate counseling, anticipatory guidance, and/or referral. MMCD continues to work with a 45 member committee, made up of health educators, nurses, and medical directors to update and revise the SHA. The next version of the SHA will consist of seven pediatric and three adult questionnaires and a new senior assessment questionnaire will focus on screening for behavioral risks associated with aging (e.g., falls, elder abuse, dental issues, nutritional concerns). Testing of the new SHA tools with providers and members began in winter 2010. MMCD anticipates that testing will be complete and preparation of the final draft will occur in spring 2011.

#### Developing Policy for Care Coordination for Seniors and Persons with Disabilities

DHCS and CHCS developed a case management/care coordination survey that was administered to Medi-Cal managed care health plans. DHCS convened a stakeholder case management/care coordination workgroup to present and discuss the CHCS case management/care coordination survey results specific to health plan activities for SPDs.

The workgroup developed standard definitions for basic and complex case management. These definitions, together with new case management and care coordination requirements contained in Senate Bill (SB) 208 (Steinberg, Chapter 714, Statutes of 2010) and the Section 1115 Demonstration Waiver titled "California's Bridge to Reform," were incorporated into health plan contract language.

#### Seniors and Persons with Disabilities Provider Training

DHCS contracted with Western University of Health Science to develop a disability cultural competency and sensitivity training curriculum/manual for use by contracted

health plans in training Medi-Cal providers and staff as well as relevant health plan staff. The Western University of Health Science conducted two train-the-trainers workshops. One was held in Oakland on January 19-20, 2011, and the other was in Los Angeles on January 26-27, 2011. These workshops provided health plan staff with the necessary training and tools to conduct future health plan sensitivity training sessions.

#### General Program Activities

DHCS is currently undertaking or has completed the actions listed below to enhance and improve the Medi-Cal Managed Care Program.

1. DHCS finalized its work with the Department of Developmental Services (DDS), Bay Area Regional Centers, Agnews Developmental Center (Agnews), Alameda Alliance for Health (AAH), Santa Clara Family Health Plan (SCFHP), and Health Plan of San Mateo (HPSM), to complete the transition of approximately 230 patients formerly residing at Agnews, who required specialized health care as they moved into community homes. On March 27, 2009, DDS indicated that the last Agnews resident had transitioned into the community and that the facility had closed. Medi-Cal managed care remains a preferred option for these former residents because of their extremely complex and medically fragile health conditions, and their need for intense coordination of services among many agencies and providers to support them in the community. Activities still in process include:
  - DHCS continues to work with the health plans on the claims reconciliation process and to provide clarification on appropriate costs. The six-month semi-annual reconciliation reports will be reconciled with the health plans for the periods prior to the plans accepting the full-risk capitation rate. MMCD requested updated enrollment from the health plans involved in order to finalize the semi-annual reconciliation reports. HPSM's reports will be reconciled for the period of July 1, 2007 through June 30, 2008. SCFHP's reports will be reconciled for the period of July 1, 2007 through December 31, 2008. MMCD is still negotiating with AAH regarding the date the full-risk rate will be implemented.
  - SCFHP and HPSM accepted the upper payment limit and agreed to a full-risk rate retroactive to January 1, 2008 and July 1, 2008, respectively. DHCS incorporated the rates into the health plan contracts for SCFHP and HPSM and will issue recoupment procedures to the health plans. On January 6, 2011, DHCS received the final approval of the contracts from CMS (approval letter from CMS dated December 22, 2010).
  - DHCS continues discussions with AAH regarding a full-risk rate. During a conference call with AAH on March 3, 2011, AAH proposed to accept the interim rate implemented on July 1, 2010, retroactive to March 2008. DHCS is working with the actuaries to determine the appropriateness of the proposal. DHCS anticipates a decision and agreement with the plan in the second quarter of 2011.

2. DHCS is working collaboratively with the Medi-Cal managed care health plans to reduce avoidable visits to the Emergency Room (ER). An avoidable ER visit is a visit that could have been more appropriately managed by and/or referred to a PCP in an office or clinic setting. This collaborative effort will run through October 2011. To avoid the need for episodic care in the ER, the health plans implemented health-plan specific and statewide interventions to improve the continuity of care between the member and PCP. Health plans have worked collaboratively to implement two statewide interventions: a health education campaign; and a health plan collaboration with a selected network hospital.

The health education campaign was developed using data extracted from the surveys of health plan members and providers, and health plan specific ER claims. The health education campaign targets members from one to 19 years of age with diagnoses that should not have required ER visits; these diagnoses are limited to upper respiratory infections, otitis media, and acute pharyngitis. Posters and brochures titled, "Not Sure It's An Emergency?" in English and Spanish were designed and distributed to PCP offices. Health plans instructed their providers on how to use the materials to educate patients during office visits on the appropriate use of the ER.

In addition to the health education campaign targeting members seen in PCP offices, health plans collaborated with selected network hospitals to receive timely information on managed care members seen in the ER. Hospitals send ER data to the health plans or directly to PCPs. The health plans and providers use this data to develop interventions to reduce avoidable ER visits. Interventions were rolled out in May 2009. Member and provider surveys were administered during calendar year (CY) 2010 to assess the effectiveness of the collaborative interventions. Survey results indicated providers discussed avoidable ER use with their patients and found the health education materials helpful when talking with their patients. Member survey results revealed that those members who read the health education materials reported that they reconsidered using the ER for avoidable conditions.

Baseline (August 2008), Interim (2008-2009), and CY 2008 ER reports published by the External Quality Review Organization (EQRO) are available on the MMCD website at:

<http://www.dhcs.ca.gov/dataandstats/reports/Pages/MMCDQualPerfMsRpts.aspx>

The most recent report for CY 2008 was released in November 2010. The report showed county-level rates for avoidable ER visits decreased in 34 percent of the counties and increased in 66 percent of the counties.

CY 2009 ER Collaborative reports are scheduled for release by the EQRO in summer 2011. MMCD is reviewing CY 2009 plan-specific reports to determine the

status of interventions, hospital collaboration results, and challenges encountered during CY 2009. The health plans CY 2010 reports, which are due to MMCD in October 2011, will be the final reports due for this collaborative. An analysis of CY 2008 data combined with CY 2009 and CY 2010 data will provide sufficient information to identify patterns of success and interventions that had significant impact on reducing avoidable ER visits.

3. Assembly Bill (AB) 1422 (Bass, Chapter 157, Statutes of 2009) added Medi-Cal managed care health plans to the list of entities subject to California's gross premiums tax, or Managed Care Organization (MCO) tax, a 2.35 percent tax on their operating revenue. The proceeds from this tax are appropriated to DHCS for the Medi-Cal Managed Care program and to the Managed Care Medical Insurance Board (MRMIB) for the Healthy Families Program (HFP). The bill increases premiums paid by HFP enrollees, and allows the California Children and Families Commission to transfer monies among its various funds.

The California Department of Insurance collects the MCO tax, which is based on the taxes totaling approximately \$225 million annually from Medi-Cal managed care health plans. These funds are distributed according to the Federal Medical Assistance Percentage (FMAP) applicable under the American Recovery and Reinvestment Act of 2009 (ARRA) for each fiscal quarter, as shown in the following:

STATE	ARRA FMAP PROXY FOR Q1 Fiscal Year (FY) 2011	ARRA FMAP PROXY FOR Q2 FY 2011	ARRA FMAP PROXY FOR Q3 FY 2011
<b>MRMIB (at FMAP)</b>	<b>61.59%</b>	<b>58.77%</b>	<b>56.88%</b>
<b>DHCS (100% - FMAP)</b>	<b>38.41%</b>	<b>41.23%</b>	<b>43.12%</b>

The tax funds collected are then used to reimburse DHCS for the General Fund (GF) portions of managed care rate increases and HFP payments. Federal Financial Participation (FFP) is drawn down to fully reimburse the managed care health plans and provides the federal funding to HFP. The managed care health plans are fully reimbursed for the taxes paid and DHCS is reimbursed for all GF expenditures related to passage of this bill.

The bill took effect retroactively to January 1, 2009. SB 853, (Committee on Budget and Fiscal Review, Chapter 717, Statutes of 2010), the 2010 Health Budget Trailer Bill extended the sunset date of AB 1422 from January 1, 2011 to June 30, 2011. AB 103 (as amended March 17, 2011) and SB 79 (as amended March 17, 2011), purpose to extend the sunset date from June 30, 2011 to January 1, 2014.

4. For rate years beginning in State FY 2009-10, DHCS implemented maternity supplemental payments and risk-adjusted capitation rates for health plans contracting in counties that provide health care under the Two-Plan Model (TPM) and Geographic Managed Care model of managed care. The maternity

supplemental payments to health plans were in addition to monthly capitated payments and were based on health plan reports of delivery events.

Capitation rates were risk-adjusted to match each health plan's projected costs to their capitated payments more effectively. Medi-Cal beneficiaries were eligible for services according to specific Categories of Aid (COA). Each COA implied a different amount of financial risk. Capitated rates for managed care health plans were risk-adjusted for members who were enrolled under the Family/Adult COA and the Aged/Disabled/Medi-Cal Only COA. Rates for other COAs were not risk-adjusted.

The Medicaid RX model, developed by researchers at UC San Diego, was selected for risk-adjusting capitation rates. This model uses pharmacy data to classify individuals by diagnosis categories in order to measure a population's anticipated health risk. Additional adjustments were made to the Medicaid RX model to better match risk to California's managed care population.

To ensure that the application of the risk-adjustment would not result in unintended reductions or increases in total capitation payments, the raw health plan risk scores were adjusted by the average risk score of each county's population. This produced the health plan relative risk score. The intent of this adjustment was to recalibrate the risk score to maintain the budget neutrality of the managed care program. To calculate the population average used within the budget neutrality calculation, each health plan's raw score was weighted by the total number of enrolled members, including scored and unscored health plan enrollees. Budget neutrality calculations were performed separately for each county and each risk adjustment rating category.

To calculate the final capitation rates, the final adjusted risk scores were applied to the developed county average capitation rates. For the first and second years, risk adjustment was phased in using a rate comprised of 20 percent risk-adjusted county average rates and 80 percent health plan-specific rates.

### **III. State Plan Amendments**

Effective November 1, 2010, CMS approved the transition of MMCD's federal 1915(b) waivers and the Medicaid populations covered under these waivers to the operating authority of DHCS' Section 1115 Demonstration Waiver titled "California's Bridge to Reform."

As part of the requirements for the Section 1115 Demonstration Waiver Program, DHCS is required to submit a legislative report to the fiscal and policy committees of the Legislature on a semi-annual basis. Beginning January 1, 2011, and ending January 1, 2014, MMCD will be submitting semi-annual updates to the Legislature regarding its activities within the Demonstration Waiver Program in a report titled



“Mandatory Enrollment of Seniors and Persons with Disabilities into Med-Cal Managed Care.” These semi-annual updates will include key milestones, progress toward the objectives of the program, relevant or necessary changes to the program, submittal of SPAs to CMS, submittal of any federal waiver documents, and other key activities.

Since all of MMCD’s previous 1915(b) waivers were incorporated into DHCS’ Section 1115 Demonstration Waiver, updates regarding MMCD SPAs and federal waivers will now be included in the Demonstration Waiver’s semi-annual legislative report until otherwise notified.

#### **IV. Federal Waivers**

See semi-annual report titled “Mandatory Enrollment of Seniors and Persons with Disabilities into Med-Cal Managed Care” for updates on MMCD federal waiver activity.

#### **V. Key Activities on Medi-Cal Managed Care Expansion**

##### *Information to Health Plans and Expansion Counties*

DHCS provides expansion updates to health plans on a quarterly basis through meetings with health plan Chief Executive Officers and Medical Directors. DHCS provides similar updates to the MMCD Advisory Group.

##### *Interactions with Expansion Counties*

Eleven of the 13 expansion counties and Fresno County, which was an existing managed care county affected by the expansion efforts, have endorsed a managed care model believed to best suit the needs of each county. In spring 2008, DHCS determined that the timing was not optimal to continue expansion efforts in three counties: Imperial, San Benito, and El Dorado. These counties were subsequently removed from the list of expansion counties. DHCS determined that Imperial, San Benito, and El Dorado Counties were not ready for expansion based on consultation with the counties and local stakeholders. With the removal of Imperial, San Benito, and El Dorado counties, the table in Attachment 1 provides the status of each of the ten remaining expansion counties and Fresno.

Recent developments include:

- The expansion of the Medi-Cal Managed Care Program into Placer County is on hold because two of the three health plans were unable to participate. Notices were mailed to Placer County beneficiaries in May 2009, informing them that Medi-Cal managed care will not be offered in Placer County at this time.
- Partnership HealthPlan of California’s (PHC’s) expansion into Marin and Mendocino counties is now scheduled for implementation on July 1, 2011.

- Expansion into Ventura County is currently scheduled for July 1, 2011. The Ventura County Managed Care Commission (VCMCC) voted to name its new County Organized Health System (COHS) health plan the Gold Coast Health Plan (GCHP) and has begun working with DHCS to submit deliverables, discuss rates, and provide assurances to DHCS regarding the health plan's ability to operate by the scheduled expansion date.
- DHCS finalized work to establish a Regional TPM in Fresno, Kings, and Madera Counties. The three counties established a Commission to serve as the Local Initiative (LI) with representation from each of the counties. The LI has a contract with Health Net to act as its administrative services partner and as a Health Maintenance Organization (HMO) providing services directly to members enrolled with the LI. The LI is operating under the name CalViva Health. Anthem Blue Cross was awarded a contract through a DHCS Request for Proposal to operate as the Commercial Plan in these counties. CalViva Health and Anthem Blue Cross became operational in Fresno, Kings and Madera Counties on March 1, 2011.

**Attachment 1**  
**Medi-Cal Managed Care Division (MMCD)**  
**Update of Expansion Implementation Dates**  
**and Managed Care Models**

County	Original Implementation Date	Revised Implementation Date	Managed Care Model
Placer	3/01/07	On hold	GMC
Fresno	10/1/07	3/1/2011	Conversion to Tri-County Regional Two-Plan (with Kings and Madera)
Kings	10/1/07	3/1/2011	Tri-County Regional Two-Plan (with Fresno and Madera)
Madera	10/1/07	3/1/2011	Tri-County Regional Two-Plan (with Fresno and Kings)
Marin	4/01/08	7/1/2011	COHS Joining Partnership Health Plan of California
Merced	10/1/07	10/01/2009 (Completed)	COHS Joining Central California Alliance for Health
Lake	4/01/08	To Be Determined	COHS Joining Partnership HealthPlan of California
Mendocino	4/01/08	7/1/2011	COHS Joining Partnership HealthPlan of California
San Luis Obispo	4/01/08	03/01/2008, (Completed)	COHS Joined Santa Barbara Regional Health Authority (dba CenCal Health)
Sonoma	4/01/08	10/01/2009 (Completed)	COHS Joining Partnership HealthPlan
Ventura	4/01/08	7/1/2011	COHS Will become its own COHS

GMC = Geographic Managed Care  
COHS = County Organized Health System

## Attachment 2

### Abbreviations and Acronyms

AAH	Alameda Alliance for Health
AB	Assembly Bill
ABX	Assembly Bill, Extraordinary Session
Agnews	Agnews Developmental Center
ARRA	American Recovery and Reinvestment Act of 2009
CCFC	California Children and Families Commission
CHCF	California Health Care Foundation
CHCS	Center for Health Care Strategies
CMS	Centers for Medicare and Medicaid Services
COA	Categories Of Aid – Medi-Cal Eligibility Category
COHS	County-Operated Health System (Model of Medi-Cal managed care)
CP	Commercial Plan
CY	Calendar Year
DDS	Department of Developmental Services
DHCS	Department of Health Care Services
EQRO	External Quality Review Organization
ER	Emergency Room
FFP	Federal Financial Participation
FMAP	Federal Medical Assistance Percentage
FY	Fiscal Year
GCHP	Gold Coast Health Plan
GF	General Fund
GMC	Geographic Managed Care (Model of Medi-Cal managed care)
HCO	Health Care Options
HFP	Healthy Families Program
HIF	Health Information Form
HMO	Health Maintenance Organization
HPSM	Health Plan of San Mateo
IHA	Initial Health Assessment
LI	Local Initiative
MCO	Managed Care Organization
MMCD	Medi-Cal Managed Care Division
MRMIB	Managed Risk Medical Insurance Board
PHC	Partnership HealthPlan of California
PCP	Primary Care Provider
RFP	Request for Proposal

SB	Senate Bill
SCFHP	Santa Clara Family Health Plan
SHA	Staying Healthy Assessment
SPAs	State Plan Amendments
SPDs	Seniors and Persons with Disabilities
TPM	Two-Plan Model (Model of Medi-Cal managed care)
VCMCC	Ventura County Managed Care Commission